

Company registration number (England and Wales) 4056034

## GRALENNO LIMITED

*DIRECTORS' REPORT AND FINANCIAL STATEMENTS*

*FOR THE YEAR ENDED 31 DECEMBER 2011*

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# GRALENNO LIMITED

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# GRALENNO LIMITED

## COMPANY INFORMATION

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### COMPANY PERSONNEL

<b>Directors</b>	P N H Smith A I G C South J D Smith S M Smith
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<b>Company Secretary</b>	P N H Smith
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### COMPANY ADDRESSES

<b>Registered office</b>	Algernon Road Newcastle Upon Tyne NE6 2YN
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<b>Member's agent</b>	Alpha Insurance Analysts Ltd 107 Fenchurch Street London EC3M 5JF
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<b>Auditors</b>	Humphrey & Co 7 - 9 The Avenue Eastbourne East Sussex BN21 3YA
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<b>Administrator</b>	Fidentia Services LLP 3 Castlegate Grantham, Lincolnshire NG31 6SF
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# GRALENNO LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2011

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The directors have pleasure in presenting their report together with the financial statements for the year ended 31 December 2011

#### Results and dividends

The profit for the year after taxation was £72,712 (2010 profit £126,071) Interim dividends of £126,071 (2010 £249,636) were paid during the year The directors do not recommend the payment of a final dividend

#### Principal activities and review of the business

The principal activity of the Company in the year under review was that of a corporate underwriting member of Lloyd's The Company commenced underwriting with effect from 1 January 2001

The result for the year is in respect of the 2011 annual accounting year, which consists of movements in the 2009, 2010 and 2011 years of account as well as any 2008 and prior run-off years Gross premiums written increased from £1,377,890 to £1,398,561 compared to the previous year and the overall balance in the technical account decreased from £225,247 to £80,010 deficit as a result of the level of claims experienced

The company has continued to underwrite on the 2012 underwriting account where the market conditions are considered favourable for a profitable outcome subject to the level of claims experienced

The key business risks and uncertainties affecting the company are considered to relate to insurance risk, investment and currency risk and regulatory risk

#### Financial risk management objectives and policies

The Company is principally exposed to financial risk through its participation on Lloyd's Syndicates It has delegated sole management and control of its underwriting through each Syndicate to the Managing Agent of that Syndicate and it looks to the Managing Agent to implement appropriate policies, procedures and internal controls to manage each Syndicates' exposures to insurance risk, credit risk, market risk, liquidity risk and operational risk The Company is also directly exposed to these risks, but they are not considered material for the assessment of the assets, liabilities, financial position and profit or loss of the Company

Hedge accounting is not used by the Company

#### Key performance indicators

The directors monitor the performance of the Company by reference to the following key performance indicators

	2011	2010
Capacity (youngest underwriting year) (£)	1,750,050	1,750,050
Gross premium written as a % of capacity	79.92%	78.73%
Combined ratio	109.79%	83.58%

The combined ratio is the ratio of net claims incurred, commissions and expenses to net premiums earned

#### Directors and directors' interests

The directors who held office at any time during the period are listed below

	Appointed	Resigned
P N H Smith		
A I G C South		
J D Smith		
C Moffett		5 Oct 2011

Subsequent to the year end, S M Smith was appointed as a director on 14 February 2012

# **GRALENNO LIMITED**

## **DIRECTORS' REPORT (continued) FOR THE YEAR ENDED 31 DECEMBER 2011**

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### **Statement of directors' responsibilities**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transaction and disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Auditors**

The auditors, Humphrey & Co, are deemed to be reappointed under Section 487(2) of the Companies Act 2006.

### **Statement of disclosure to auditors**

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

Approved by the Board on 4<sup>th</sup> September 2012 and signed on its behalf by



**P N H Smith**  
Director

# **GRALENNO LIMITED**

## **INDEPENDENT AUDITORS REPORT TO THE SHAREHOLDERS OF GRALENNO LIMITED**

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We have audited the financial statements of Gralenno Limited for the year ended 31 December 2011 on pages 5 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition we read all the financial and non-financial information in the directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Andrew Robinson (Senior Statutory Auditor)  
for and on behalf of Humphrey & Co  
Chartered Accountants  
Statutory Auditor

Humphrey & Co  
7 - 9 The Avenue  
Eastbourne  
East Sussex  
BN21 3YA

Date 13 September 2012

**GRALENNO LIMITED****PROFIT AND LOSS ACCOUNT - TECHNICAL ACCOUNT (GENERAL BUSINESS)  
FOR THE YEAR ENDED 31 DECEMBER 2011**

	Note	2011 £	2010 £
Gross premiums written	2	1,398,561	1,377,890
Outward reinsurance premiums		(414,096)	(401,673)
<b>Net premiums written</b>		<b>984,465</b>	<b>976,217</b>
<b>Change in the provision for unearned premiums</b>			
Gross provision		38,379	89,008
Reinsurers' share		(5,582)	3,865
<b>Net change in the provision for unearned premiums</b>		<b>32,797</b>	<b>92,873</b>
<b>Earned premiums net of reinsurance</b>		<b>1,017,262</b>	<b>1,069,090</b>
<b>Allocated investment income</b>	4	<b>20,663</b>	<b>51,654</b>
<b>Claims paid</b>			
Gross amount		(861,647)	(1,082,538)
Reinsurers' share		216,121	267,428
<b>Net claims paid</b>		<b>(645,526)</b>	<b>(815,110)</b>
<b>Change in provision for claims</b>			
Gross amount		(548,255)	280,261
Reinsurers' share		393,437	(35,671)
<b>Net change in provision for claims</b>		<b>(154,818)</b>	<b>244,590</b>
<b>Claims incurred net of reinsurance</b>		<b>(800,344)</b>	<b>(570,520)</b>
<b>Net operating expenses</b>	5	<b>(316,545)</b>	<b>(323,034)</b>
<b>Investment expenses and charges</b>		<b>(1,046)</b>	<b>(1,943)</b>
<b>Balance on technical account for general business</b>		<b>(80,010)</b>	<b>225,247</b>

## **GRALENNO LIMITED**

### **PROFIT AND LOSS ACCOUNT - NON TECHNICAL ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2011**

	Note	2011 £	2010 £
Balance on the general business technical account		(80,010)	225,247
Investment income	6	44	489
Other income	7	248,467	-
Other charges		(98,056)	(83,982)
Profit on ordinary activities before taxation	8	70,445	141,754
Tax on profit on ordinary activities	17	2,267	(15,683)
Profit for the financial year		72,712	126,071

The company has no recognised gains or losses other than the profit for the financial years stated above

All amounts above relate to continuing operations



# GRALENNO LIMITED

## BALANCE SHEET

AS AT 31 DECEMBER 2011

Company registration number (England and Wales) 4056034

ASSETS	Note	Syndicate Participation £	Corporate £	2011 Total £	2010 Total £
<b>Intangible assets</b>					
Syndicate participation rights	9	-	-	-	-
<b>Investments</b>					
Financial investments	10	1,124,604	-	1,124,604	2,275,625
Deposits with ceding undertakings		-	-	-	433
Total investments		1,124,604	-	1,124,604	2,276,058
<b>Reinsurers' share of technical provisions</b>					
Provision for unearned premiums		40,294	-	40,294	45,479
Claims outstanding		622,057	-	622,057	535,754
Other technical provisions		238,014	-	238,014	158,993
Total reinsurers' share of technical provisions		900,365	-	900,365	740,226
<b>Debtors</b>					
Arising out of direct insurance operations	11				
Intermediaries		71,243	-	71,243	223,538
Arising out of reinsurance operations	11	66,848	-	66,848	63,499
Other debtors	12	463,011	281,719	744,730	1,001,016
Total debtors		601,102	281,719	882,821	1,288,053
<b>Other assets</b>					
Cash at bank	13	219,293	3,222	222,515	321,619
Total other assets		219,293	3,222	222,515	321,619
<b>Prepayments and accrued income</b>					
Accrued interest		-	-	-	163
Deferred acquisition costs		73,139	-	73,139	84,554
Other prepayments and accrued income		2,640	445	3,085	6,744
Total prepayments and accrued income		75,779	445	76,224	91,461
<b>Total assets</b>		<b>2,921,143</b>	<b>285,386</b>	<b>3,206,529</b>	<b>4,717,417</b>

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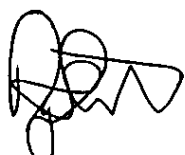
**GRALENNO LIMITED****BALANCE SHEET (continued)  
AS AT 31 DECEMBER 2011**

Company registration number (England and Wales) 4056034

	Note	Syndicate Participation £	Corporate £	2011 Total £	2010 Total £
<b>LIABILITIES</b>					
<b>Capital and reserves</b>					
Called-up share capital	14	-	100	100	100
Profit and loss account	15	18,944	53,768	72,712	126,071
<b>Shareholder's funds attributable to equity interests</b>	16	18,944	53,868	72,812	126,171
<b>Technical provisions</b>					
Provision for unearned premiums		425,854	-	425,854	461,263
Claims outstanding - gross amount		2,214,121	-	2,214,121	3,230,762
<b>Total technical provisions</b>		2,639,975	-	2,639,975	3,692,025
<b>Provisions for other risks and charges</b>					
Provision for taxation	17	-	100,792	100,792	234,141
<b>Creditors</b>					
Arising out of direct insurance operations		8,523	-	8,523	172,966
Arising out of reinsurance operations		164,722	-	164,722	159,905
Other creditors	18	85,859	127,594	213,453	324,761
<b>Total creditors</b>		259,104	127,594	386,698	657,632
<b>Accruals and deferred income</b>					
Other accruals and deferred income		3,120	3,132	6,252	7,448
<b>Total liabilities</b>		2,921,143	285,386	3,206,529	4,717,417

Approved by the Board on 4<sup>th</sup> September

2012 and signed on its behalf by


P N H Smith  
Director

**GRALENNO LIMITED****CASH FLOW STATEMENT****FOR THE YEAR ENDED 31 DECEMBER 2011**

	Note	2011 £	2010 £
Net cash (outflow) from operating activities	19	(77,864)	354,034
Returns on investments and servicing of finance			
Interest received		44	489
Dividends paid		(126,071)	(249,636)
Net cash (outflow) from returns on investments and servicing of finance		(126,027)	(249,147)
Taxation			
UK corporation tax paid		(51,185)	(89,925)
Foreign tax refunded/paid		6,614	(12,328)
Net cash (outflow) from taxation		(44,571)	(102,253)
Capital expenditure and financial investment			
Proceeds from sale of syndicate participation rights		248,467	-
Increase in cash		5	2,634
Net funds at 1 January		3,217	583
Increase in cash in the year		5	2,634
Net funds at 31 December		3,222	3,217

The Company has no control over the disposition of assets and liabilities at Lloyd's. Consequently, the Cash Flow Statement is prepared reflecting only the movement in corporate funds, which includes transfers to and from the Syndicates at Lloyd's.

# **GRALENNO LIMITED**

## **NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2011**

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### **1 Accounting policies**

#### **1.1 Basis of preparation**

The Financial Statements have been prepared in accordance with the Companies Act 2006 and Regulation 6 of Schedule 3 to the Large and Medium Sized Companies And Groups (Accounts and Reports) Regulations 2008 and the recommendations of the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers in 2005. They are prepared under the historical cost basis of accounting modified to include the revaluation of investments, and comply with applicable accounting standards.

#### **Basis of accounting**

The technical account has been prepared on an annual basis of accounting, whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums net of re-insurance. Amounts reported in the technical account relate to movements in the period in respect of all relevant years of account of the Syndicates on which the company participates.

Accounting information in respect of the Syndicate participations has been provided by the Syndicate managing agents through an information exchange facility operated by Lloyd's and has been reported on by the Syndicate auditors.

Assets and liabilities arising as a result of the underwriting activities are mainly controlled by the Syndicates' managing agents and are shown separately on the Balance Sheet as "Syndicate Assets" and "Syndicate Liabilities". The assets are held subject to trust deeds for the benefit of the Syndicates' insurance creditors.

In continuing to apply the going concern basis to this Company's Financial Statements the following factors have been taken into account: the likely timing of any underwriting and non-underwriting cash flows, any Funds at Lloyd's supporting the Company's underwriting and not reflected in the Company's Balance Sheet and the continued support of the Directors and Shareholders including the potential deferral of balances due to them.

#### **General business**

##### **i Premiums**

Gross premiums are accounted for in the period in which the risk commences, together with adjustments to premiums written in previous accounting periods. Future premiums relating to risks commencing in the period are based upon estimates made by the Syndicates' management. Other adjustments are accounted for as arising.

##### **ii Unearned premiums**

Written premium is earned according to the risk profile of the policy. Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date, calculated on a time apportionment basis having regard where appropriate, to the incidence of risk. The specific basis adopted by each Syndicate is determined by the relevant managing agent.

##### **iii Deferred acquisition costs**

Acquisition costs, which represent commission and other related expenses, are deferred over the period in which the related premiums are earned.

##### **iv Reinsurance premiums**

Reinsurance premium costs are allocated by the Managing Agent of each Syndicate to reflect the protection arranged in respect of the business written and earned.

# **GRALENNO LIMITED**

## **NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES (continued) FOR THE YEAR ENDED 31 DECEMBER 2011**

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### **v Claims**

Provision is made for the estimated cost of claims outstanding at the end of the year, including those incurred but not reported at that date, and for the related cost of settlement. Claims incurred comprise amounts paid or provided in respect of claims occurring during the current year, together with the amount by which settlement or reassessment of claims from previous years differs from the provision at the beginning of the year.

The claims provision determined by the managing agent will have been based on information that was currently available at the time. However, the ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided and will be reflected in the financial statements for the period in which the adjustment is made.

### **vi Closed years of account**

At the end of the third year, the underwriting account is normally closed by reinsurance into the following year of account. The amount of the reinsurance to close premium payable is determined by the managing agent, generally by estimating the cost of claims notified but not settled at 31 December, together with the estimated cost of claims incurred but not reported at that date, and an estimate of future claims handling costs.

Any subsequent variation in the ultimate liabilities of the closed year of account is borne by the underwriting year into which it is reinsured.

The payment of a reinsurance to close premium does not eliminate the liability of the closed year for outstanding claims. If the reinsuring Syndicate was unable to meet its obligations, and the other elements of Lloyd's chain of security were to fail, then the closed underwriting account would have to settle outstanding claims.

The Directors consider that the likelihood of such a failure of the reinsurance to close is extremely remote, and consequently the reinsurance to close has been deemed to settle the liabilities outstanding at the closure of an underwriting account. The company has included its share of the reinsurance to close premiums payable as technical provisions at the end of the current period, and no further provision is made for any potential variation in the ultimate liability of that year of account.

### **vii Run-off years of account**

Where an underwriting year of account is not closed at the end of the third year (a "run-off" year of account) a provision is made for the estimated cost of all known and unknown outstanding liabilities of that year. The provision is determined initially by the managing agent on a similar basis to the reinsurance to close. However, any subsequent variation in the ultimate liabilities for that year remains with the corporate member participating therein. As a result any run-off year will continue to report movements in its results after the third year until such time as it secures a reinsurance to close.

### **viii Investments and allocated investment income**

In accordance with Lloyd's current accounting practice, investments are stated at market value, including accrued interest at the Balance Sheet date. Investment income is included in the General Business Technical Account reflecting that earned on the investment portfolio managed by the Syndicates. The allocated investment income therefore comprises income received and investment profits and losses arising in the calendar year including appreciation/depreciation and accrued interest consequent upon the revaluation of investments at 31 December. All gains and losses on investments are treated as realised at the Balance Sheet date.

# **GRALENNO LIMITED**

## **NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES (continued) FOR THE YEAR ENDED 31 DECEMBER 2011**

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**ix Basis of currency translation**

Syndicates maintain separate funds in Sterling, United States and Canadian dollars, and may also do so in certain other currencies. All transactions where separate currencies are maintained are translated into Sterling at the rates of exchange ruling at the Balance Sheet date. Transactions during the period in other overseas currencies are expressed in Sterling at the rates ruling at the transaction date.

**x Debtors/creditors arising from insurance/reinsurance operations**

The amounts shown in the Balance Sheet include the totals of all the Syndicates outstanding debit and credit transactions. No account has been taken of any offsets which may be applicable in calculating the net amounts due between the Syndicates and each of their counterparty insureds, reinsurers or intermediaries as appropriate.

**xi Distribution of profits and collection of losses**

Lloyd's operates a detailed set of regulations regarding solvency and the distribution of profits and payment of losses between Syndicates and their members. Lloyd's continues to require membership of Syndicates to be on an underwriting year of account basis and profits and losses belong to members according to their membership of a year of account. Normally profits and losses are transferred between the Syndicate and members after results for a year of account are finalised after 36 months. This period may be extended if a year of account goes into run-off. The Syndicate may make earlier on account distributions or cash calls according to the cash flow of a particular year of account and subject to Lloyd's requirements.

### **1.2 Deferred Taxation**

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities have not been discounted.

### **1.3 Intangible assets**

Costs incurred by the Company in the Corporation of Lloyd's auctions in order to acquire rights to participate on Syndicates' underwriting years are included within intangible assets and amortised over a 3 year period beginning with the respective year of Syndicate participation.

### **1.4 Investments**

Investments held directly by the company, by trustees of the Premium Trust Fund, or as the Lloyd's Deposit, are stated at market value.

# GRALENNO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

2 Class of business	Gross written premiums	Gross premiums earned	Gross claims incurred	Operating expenses	Reinsurance balance
	£	£	£	£	£
<b>2011</b>					
<b>Direct</b>					
Accident and health	-	-	-	-	(5)
Motor - third party liability	683	709	(1,156)	(682)	(267)
Motor - other classes	3,682	3,771	(816)	(436)	(602)
Marine, aviation and transport	(959)	9,715	(9,837)	(3,734)	(284)
Fire and other damage to property	342,657	357,907	(189,263)	(113,037)	(78,158)
Third party liability	(3,451)	115	(936)	(1,181)	484
Credit and suretyship	32,570	31,469	(18,940)	(8,480)	6,706
Other	-	-	-	-	-
<b>Total direct</b>	<b>375,182</b>	<b>403,686</b>	<b>(220,948)</b>	<b>(127,550)</b>	<b>(72,126)</b>
<b>Reinsurance business</b>					
Reinsurance balance	1,023,379	1,033,254	(1,188,954)	(188,995)	262,006
<b>Total</b>	<b>1,398,561</b>	<b>1,436,940</b>	<b>(1,409,902)</b>	<b>(316,545)</b>	<b>189,880</b>
<b>2010</b>	£	£	£	£	£
<b>Direct</b>					
Accident and health	493	3,514	(2,514)	(1,250)	17
Motor - third party liability	852	1,767	(1,838)	(452)	(196)
Motor - other classes	4,281	5,445	(3,471)	(1,863)	267
Marine, aviation and transport	8,157	26,628	42,320	(7,455)	(12,043)
Fire and other damage to property	343,714	368,852	(98,195)	(117,638)	(87,875)
Third party liability	3,868	11,382	10,235	(9,702)	(3,713)
Credit and suretyship	29,249	33,493	(20,128)	(9,403)	(9,531)
Other	(203)	67	(128)	97	(11)
<b>Total direct</b>	<b>390,411</b>	<b>451,148</b>	<b>(73,719)</b>	<b>(147,666)</b>	<b>(113,085)</b>
<b>Reinsurance business</b>					
Reinsurance balance	987,479	1,015,750	(728,558)	(175,368)	(52,966)
<b>Total</b>	<b>1,377,890</b>	<b>1,466,898</b>	<b>(802,277)</b>	<b>(323,034)</b>	<b>(166,051)</b>

Any open year loss provisions, stop loss premiums and stop loss recoveries have been allocated across the classes of business by reference to the gross premiums written

# GRALENNO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2011

<b>3</b>	<b>Geographical analysis</b>	<b>2011</b>	<b>2010</b>
		<b>£</b>	<b>£</b>
	Direct gross premiums written in United Kingdom	375,182	390,411
	<b>Total</b>	<b>375,182</b>	<b>390,411</b>
<b>4</b>	<b>Allocated investment income</b>	<b>2011</b>	<b>2010</b>
		<b>£</b>	<b>£</b>
	Investment income	25,129	55,631
	Realised loss on investments	(4,466)	(3,977)
	<b>Total</b>	<b>20,663</b>	<b>51,654</b>
<b>5</b>	<b>Net operating expenses</b>	<b>2011</b>	<b>2010</b>
		<b>£</b>	<b>£</b>
	Acquisition costs	211,411	223,793
	Administrative expenses	105,501	133,976
	Profit on exchange	(367)	(34,735)
	<b>Total</b>	<b>316,545</b>	<b>323,034</b>



# GRALENNO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2011

6	Investment income	2011 £	2010 £
	Income from other investments (including interest receivable)	44	489
	Total	44	489

7	Other income	2011 £	2010 £
	Profit on sale of syndicate participation rights	248,467	-
	Total	248,467	-

8	Profit on ordinary activities before taxation	2011 £	2010 £
	This is stated after charging		
	Auditor's remuneration - audit	1,050	900
	Employer's National Insurance contributions	550	550
	Wages and salaries	10,000	10,000

The average number of persons, including directors, employed during the year was 4 (2010 4)

# GRALENNO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2011

9 Intangible assets	Syndicate Participation Rights £
<b>Cost</b>	
At 1 January 2011	68,070
Disposals	(23,037)
At 31 December 2011	<b>45,033</b>
<b>Amortisation</b>	
At 1 January 2011	68,070
Disposals	(23,037)
At 31 December 2011	<b>45,033</b>
<b>Net book value</b>	
At 31 December 2011	-
At 31 December 2010	-

10 Investments Financial investments	Syndicate £	Corporate £	2011 Total £	2010 Total £
<b>At market value</b>				
Shares and other variable yield securities	121,723	-	<b>121,723</b>	302,918
Debt securities and other fixed income securities	962,813	-	<b>962,813</b>	1,885,379
Participation in investment pools	39,550	-	<b>39,550</b>	46,732
Loans guaranteed by mortgage	-	-	-	39,951
Other	518	-	<b>518</b>	645
<b>Total</b>	<b>1,124,604</b>	<b>-</b>	<b>1,124,604</b>	<b>2,275,625</b>

The corporate investments held include £Nil (2010 £Nil) at market value in respect of Lloyd's deposits that are held in accordance with the constraints detailed in note 20

# GRALENNO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2011

### 10 Investments Financial investments (continued)

	Syndicate	Corporate	2011 Total	2010 Total
	£	£	£	£
<i>At cost</i>				
Shares and other variable yield securities	121,723	-	121,723	302,918
Debt securities and other fixed income securities	964,862	-	964,862	1,890,077
Participation in investment pools	39,550	-	39,550	46,732
Loans guaranteed by mortgage	-	-	-	40,372
Other	518	-	518	646
<b>Total</b>	<b>1,126,653</b>	<b>-</b>	<b>1,126,653</b>	<b>2,280,745</b>

### 11 Debtors arising out of direct insurance and reinsurance operations

	Syndicate	Corporate	2011 Total	2010 Total
	£	£	£	£
The following amounts are due after one year				
Direct insurance operations	-	-	-	1,702
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,702</b>

### 12 Other debtors

	Syndicate	Corporate	2011 Total	2010 Total
	£	£	£	£
Other	463,011	281,719	744,730	1,001,016
<b>Total</b>	<b>463,011</b>	<b>281,719</b>	<b>744,730</b>	<b>1,001,016</b>

Corporate other debtors includes £Nil (2010 £98,954) due to the company after more than one year

Syndicate other debtors includes £18,307 (2010 £22,861) due to the company after more than one year

### 13 Cash at bank

	Syndicate	Corporate	2011 Total	2010 Total
	£	£	£	£
Lloyd's deposit	37,610	528	38,138	133,954
Cash at bank and in hand	181,683	2,694	184,377	187,665
<b>Total</b>	<b>219,293</b>	<b>3,222</b>	<b>222,515</b>	<b>321,619</b>

Any Lloyd's deposit is held in accordance with the constraints detailed in note 20

# GRALENNO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2011

14 Share capital	2011 £	2010 £
<i>Allotted, called up and fully paid</i>		
100 Ordinary shares of £1 00	100	100

15 Statement of movements on reserves	Share premium account £	Profit and loss account £
At 1 January 2011	-	126,071
Profit during the period	-	72,712
Dividends	-	(126,071)
At 31 December 2011	-	72,712

16 Reconciliation of movements in shareholders' funds	2011 £	2010 £
Retained loss for the financial period	(53,359)	(123,565)
Net depletion in shareholders' funds	(53,359)	(123,565)
Opening shareholders' funds	126,171	249,736
Closing shareholders' funds	72,812	126,171

17 Taxation	2011 £	2010 £
<i>Analysis of charge in period</i>		
<i>Current tax</i>		
UK Corporation Tax on profits of the period	127,594	41,083
Adjustments in respect of prior years	10,102	(2,620)
Foreign tax	(6,614)	12,328
Total current tax	131,082	50,791

# GRALENNO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2011

17 Taxation (continued)	2011 £	2010 £
<i>Analysis of charge in period</i>		
<i>Deferred tax</i>		
Origination and reversal of timing differences	(123,996)	(35,108)
Changes in tax rates	(9,353)	-
Total deferred tax	(133,349)	(35,108)
Tax on loss on ordinary activities	(2,267)	15,683
<i>Factors affecting tax charge for the period</i>		
The tax assessed for the period is different than the standard rate of Corporation Tax in the UK of 26.50%		
The differences are explained below		
	2011 £	2010 £
Profit on ordinary activities before taxation	70,445	141,754
Profit on ordinary activities before taxation multiplied by the standard rate of Corporation Tax in the UK of 26.50%	18,668	39,691
<i>Effects of</i>		
(Income)/Expenses not (taxable)/deductible	(2,682)	(46,950)
Timing differences arising from the taxation of the underwriting results	123,045	77,559
Adjustments to tax charge in respect of prior periods	10,102	-
Other adjustments	(18,051)	(19,509)
Current tax charge for the year	131,082	50,791

### *Factors that may affect future tax charges*

The company has trading losses of £Nil (2010 - £Nil) available for carry forward against future trading profits

# GRALENNO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2011

17 Taxation (continued)	2011 £	2010 £
<i>Provision for deferred tax</i>		
At 1 January	234,141	269,249
Credit to the profit and loss account	(133,349)	(35,108)
At 31 December	100,792	234,141

Full provision has been made for all timing differences apart from the recovery of taxation losses against future trading profits, which cannot be prudently anticipated at this time

18 Other creditors	Syndicate £	Corporate £	2011 £	2010 £
Other creditors	85,859	-	85,859	283,678
Corporation tax	-	127,594	127,594	41,083
	85,859	127,594	213,453	324,761

19 Reconciliation of operating profit before interest to net cash (outflow)/inflow from operating activities	2011 £	2010 £
Operating profit before interest	70,401	141,265
Prior year result distributable in year	368,546	467,888
(Profit)/Loss on sale of syndicate participation rights	(248,467)	-
Decrease in creditors	(6,686)	(9,366)
Increase in debtors	(261,658)	(245,753)
Net cash (outflow)/inflow from operating activities	(77,864)	354,034

Note that the current year technical loss of £80,010, which has not been distributed in the period, is included within the decrease in creditors line above

## **GRALENNO LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2011**

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#### **20 Funds at Lloyd's**

Cash balances of £528 (2010 - £525 ) detailed in note 13 and investments of £Nil (2010 - £Nil) detailed in note 10 are held within the company's Lloyd's deposit. These balances exclude any amounts held via the syndicates.

The Lloyd's deposit represents funds deposited with the Corporation of Lloyd's (Lloyd's) to support the company's underwriting activities as described in the accounting policies. The company has entered into a legal agreement with Lloyd's which gives the Corporation the right to apply these funds in settlement of any claims arising from the company's participation on Lloyd's Syndicates. These funds can only be released from the provision of this deed with Lloyd's express permission and only in circumstances where the amounts are either replaced by an equivalent asset or after the expiration of the company's liabilities in respect of its underwriting.

In addition to these amounts, the shareholders of the company have also made available to Lloyd's assets amounting to approximately £Nil which are also used by the company to support its Lloyd's underwriting.

The company's Lloyd's underwriting is also supported by a guarantee of £1,002,264 from Lloyds TSB Bank Plc.

#### **21 Related party transactions**

The company has taken advantage of the exemption permitted by Financial Reporting Standard No 8, from the requirement to disclose related party transactions with the Ultimate Parent Company.

The Directors are satisfied that there are no material related party transactions requiring disclosure under the standard.

#### **22 Ultimate controlling party**

The Directors regard Ringtons Holdings Limited, a company registered in England and Wales, as its ultimate parent undertaking.

Copies of the Financial Statements of Ringtons Holdings Limited can be obtained from its head office, Algernon Road, Newcastle Upon Tyne, NE6 2YN.